

**ALLSTATE PROPERTY AND CASUALTY
INSURANCE COMPANY**

**5500 S. Quebec Street, Suite 250
Englewood, Colorado, 80111**

NAIC COMPANY CODE 17230

**TARGETED MARKET CONDUCT EXAMINATION REPORT
AS OF FEBRUARY 28, 2003**

**PREPARED BY AN INDEPENDENT CONTRACTOR FOR THE
COLORADO DEPARTMENT OF REGULATORY AGENCIES
DIVISION OF INSURANCE**

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**ALLSTATE PROPERTY AND CASUALTY
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5500 S. Quebec, Suite 250
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EXAMINATION REPORT
as of
February 28, 2003**

**Prepared by
Janet Sandoval
Independent Contract Examiner**

March 31, 2003

The Honorable Doug Dean
Commissioner of Insurance
State of Colorado
1560 Broadway Suite 850
Denver, Colorado 80202

Commissioner Dean:

In accordance with §§ 10-1-203 and 10-3-1106, C.R.S., a targeted examination of selected underwriting and rating practices resulting from open consumer complaints of the Allstate Property and Casualty Insurance Company's automobile and homeowners business, has been conducted. The Company's records were examined, in part, at their home office located at 5500 S. Quebec, Suite 250, Englewood, Colorado, 80111 and at the office of the Division of Insurance.

The examination covered the period from January 1, 2002 to February 28, 2003.

A report of the examination of the Allstate Property and Casualty Insurance Company is, herein, respectfully submitted.

Janet Sandoval

Independent Market Conduct Examiner

**TARGETED MARKET CONDUCT
EXAMINATION REPORT
OF THE
ALLSTATE PROPERTY AND CASUALTY INSURANCE COMPANY**

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COMPANY PROFILE

Allstate Insurance Company was incorporated on February 9, 1931 and began business on April 17, 1931. Allstate Insurance Company (AIC) is an Illinois domiciled insurer licensed to write property and casualty business in 49 states, the District of Columbia, Canada and Puerto Rico and offers a broad range of personal and commercial insurance products including reinsurance. AIC's affiliated property and casualty insurers included in its combined statement, are, but not limited to, Allstate Indemnity Company and Allstate Property and Casualty Insurance Company.

Allstate Insurance Company has approximately 13,000 agents across the country. Allstate also has approximately 3,600 independent agents selling its products. Allstate Insurance Company has 13 regional offices located throughout the United States and 250 market claim offices.

The Western Central Regional Office in Denver, Colorado supports the Colorado operations of Allstate Insurance Company, Allstate Indemnity Company, Allstate Property and Casualty Insurance Company. Field Risks, Agency Support, Human Resources and Customer Retention are handled out of the Regional location. Filing and rating is accomplished at both the Regional and Home Office levels.

Allstate Property and Casualty Company was incorporated February 14, 1985 in accordance with the laws of Illinois and began business on October of 1986. Allstate Property and Casualty Company is organized separated from Allstate Insurance Company.

As of December 31, 2001, the direct written premium in Colorado for private passenger auto coverage was \$13,620,000 representing 0.54% of the market share.*

*Data as reported in the Colorado Insurance Industry Statistical Report.

PURPOSE AND SCOPE OF EXAMINATION

This targeted market conduct report was prepared by an independent examiner contracting with the Colorado Division of Insurance for the purpose of auditing certain business practices of insurers licensed to conduct the business of insurance in the State of Colorado. This procedure is in accordance with Colorado Insurance Law §10-1-204, C.R.S., which empowers the Commissioner to supplement his resources to conduct market conduct examinations. The findings in this report, including all work product developed in the production of this report, are the sole property of the Colorado Division of Insurance.

The purpose of the targeted examination was to determine the Company's compliance with Colorado insurance law and with generally accepted operating principles related to underwriting and rating practices as they related to consumer complaints for Private Passenger Automobile and Homeowners insurance. Examination information contained in this report should serve only these purposes. The conclusions and findings of this examination are public record. The preceding statements are not intended to limit or restrict the distribution of this report.

This examination was governed by, and performed in accordance with, procedures developed by the National Association of Insurance Commissioners and the Colorado Division of Insurance. In reviewing material for this report the examiners relied primarily on records and material maintained by the Company. The examination covered a period of the Company's operations, from January 1, 2002 to February 28, 2003.

File review was based on a review of consumer complaints as they related to underwriting and rating issues. Upon review of each file any concerns or discrepancies were noted delivered to the Company for review. Once the Company was advised of a finding, the Company had the opportunity to respond. For each finding the Company was requested to agree, disagree or otherwise justify the Company's noted action. The examination report is a report by exception. Therefore, much of the material reviewed is not addressed in this written report. Reference to any practices, procedures, or files, which manifested no improprieties, was omitted.

An error tolerance level of plus or minus ten dollars (\$10.00) was allowed in most cases where monetary values were involved. However, in cases where monetary values were generated by computer or other systemic methodology, a zero (\$0) tolerance level was applied in order to identify possible system errors. Additionally, a zero (\$0) tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from the Company's established policies, procedures, rules and/or guidelines.

Additionally, a \$0 tolerance level was applied in instances where there appeared to be a consistent pattern of deviation from the Company's rates, on file with the Colorado Division of Insurance.

The report deals only with underwriting and rating issues addressed in consumer complaints for Private Passenger Auto and Homeowners issues and contains information regarding exceptions to the Colorado Insurance Code. The examination included review of the following Company operations:

1. Underwriting and Rating Issues from Consumer Complaints

Certain unacceptable or non-complying practices may not have been discovered in the course of this examination. Additionally, findings may not be material to all areas that would serve to assist the Commissioner. Failure to identify or criticize specific Company practices does not constitute acceptance by the Colorado Division of Insurance. Examination findings may result in administrative action by the Division of Insurance.

EXAMINATION REPORT SUMMARY

The examination resulted in no issues.

Independent Market Conduct Examiner
Janet Sandoval
Participated in this examination and in the preparation of this report